United States Tennis Association Incorporated and Affiliates

Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

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Years Ended December 31, 2018 and 2017

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Contents

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Independent Auditor's Report

Board of Directors
United States Tennis Association Incorporated and Affiliates
White Plains, New York

We have audited the accompanying consolidated financial statements of United States Tennis Association Incorporated and Affiliates, which are comprised of the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of changes in net assets, activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United States Tennis Association Incorporated and Affiliates as of December 31, 2018 and 2017. The results of their operations and the changes in their net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

April 2, 2019

United States Tennis Association Incorporated and Affiliates

Statement of Financial Position (dollars in thousands)

December 31,		2018		2017
Assets				
Current				
Cash and cash equivalents (Note 3 and 5)	$	**104,279**	$	65,565
Investments (Note 3 and 5)		**110,770**		160,365
Accounts receivable, net of allowance for doubtful accounts (Note 3)		**8,461**		19,084
Other current assets		**7,139**		5,461
Total Current Assets		**230,649**		250,475
Restricted Cash and Securities on Deposit (Note 2)		**78,616**		34,691
Long-term Investments (Note 5)		**20,280**		15,952
Property, Building and Equipment, Net (Note 7)		**863,689**		755,709
Intangible Asset (Note 11)		**12,658**		12,658
Other Assets		**5,420**		4,721
Total Assets	$	**1,211,312**	$	1,074,206
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	$	**82,614**	$	85,269
Accrued interest payable		**12,741**		10,619
Deferred income		**19,673**		21,682
Current portion of debt payable (Note 9)		**17,719**		15,516
Total Current Liabilities		**132,747**		133,086
Debt Payable, less current portion and deferred debt finance costs, net (Note 9)		**697,821**		545,597
Deferred Income, less current portion		**23,105**		22,887
Deferred Rent (Note 14)		**3,650**		4,591
Other Liabilities		**2,024**		2,019
Total Liabilities		**859,347**		708,180
Commitments and Contingencies (Notes 2, 3, 8, 9, 10, and 14)				
Net Assets (Without Donor Restrictions)				
Net assets of controlling interest:				
General		**229,992**		244,247
Board-designated (Note 2)		**120,000**		120,000
Noncontrolling interests in consolidated subsidiaries (Note 11)		**1,973**		1,779
Total Net Assets		**351,965**		366,026
Total Liabilities and Net Assets	$	**1,211,312**	$	1,074,206

See accompanying notes to consolidated financial statements.

United States Tennis Association Incorporated and Affiliates

Consolidated Statement of Changes in Net Assets (dollars in thousands)

Years ended December 31, 2018 and 2017

	Without Donor Restrictions				
	Controlling Interest				
	General	Board-Designated	Total	Noncontrolling Interest	Total
Net Assets, December 31, 2016	$ 237,827	$ 120,000	$ 357,827	$ 5,001	$ 362,828
Income attributable to controlling interest	9,747	-	9,747	-	9,747 [(a)]
Loss attributable to noncontrolling interest	-	-	-	(410)	(410) [(a)]
Distributions to noncontrolling interest	-	-	-	(379)	(379)
Additional paid-in-capital	(3,327)	-	(3,327)	-	(3,327)
Sale of members' equity, net	-	-	-	(2,433)	(2,433)
Net Assets, December 31, 2017	244,247	120,000	364,247	1,779	366,026
(Loss) attributable to controlling interest	(14,255)		(14,255)		(14,255)[(b)]
Gain attributable to noncontrolling interest				315	315 [(b)]
Distributions to noncontrolling interest				(121)	(121)
Net Assets, December 31, 2018	$ 229,992	$ 120,000	$ 349,992	$ 1,973	$ 351,965

See accompanying notes to consolidated financial statements.

(a) Portion of $9,337, representing consolidated net income.

(b) Portion of $(13,940), representing consolidated net income.

United States Tennis Association Incorporated and Affiliates

Consolidated Statement of Activities (dollars in thousands)

Year ended December 31,	2018 (Without Donor Restrictions)	2017 (Without Donor Restrictions)
Operating Revenues		
US Open	**$ 380,144**	$ 347,593
USA team events	**3,056**	3,062
Tour events (Note 11)	**32,496**	29,474
Membership	**18,540**	18,749
NTC tennis facility programs (other than US Open)	**4,495**	4,395
Community tennis leagues and tournaments, including National Campus (inclusive of state incentives)	**8,984**	9,657
Investment return allocated to operations (Note 6)	**8,000**	8,000
Other	**2,243**	2,451
Total Operating Revenues	**457,958**	423,381
Operating Expenses		
Program services:		
US Open:		
Direct expenses	**152,620**	141,337
Depreciation, pledge and debt interest expense	**65,138**	59,184
USA team events	**6,401**	5,985
Tour events (including depreciation) (Note 11)	**29,600**	27,518
Membership	**10,413**	11,006
NTC tennis facility programs (including depreciation and debt interest)	**11,752**	11,284
Community tennis, including National Campus:		
Grants to independent regional associations	**50,793**	49,314
Other community tennis programs (including depreciation)	**55,110**	52,624
Player development	**19,651**	19,934
Pro circuit and officials	**8,516**	8,667
Marketing, digital and other program services	**24,904**	19,132
Total Program Services	**434,898**	405,985
Administrative and supporting services (including depreciation and taxes)	**26,118**	25,399
Total Operating Expenses	**461,016**	431,384
Deficit of Operating Revenues Over Operating Expenses	**(3,058)**	(8,003)
Nonoperating Other Income and Deductions		
Investment return, net of amounts allocated to operations (Note 6)	**(11,501)**	18,916
Net gain on sale of tennis investments (Note 11)	**195**	607
Equity in gain (loss) of unconsolidated investees (Note 11)	**424**	(2,183)
Total Nonoperating Other Income and Deductions	**(10,882)**	17,340
(Deficit) Excess of Revenues Over Expenses	**$ (13,940)**	$ 9,337

See accompanying notes to consolidated financial statements.

United States Tennis Association Incorporated and Affiliates

Consolidated Statement of Cash Flows (dollars in thousands)

Year ended December 31,	**2018**	2017
Cash Flows from Operating Activities		
(Deficit) excess of revenues over expenses	$ **(13,940)**	$ 9,337
Adjustments to reconcile (deficit) excess of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization of leasehold improvements (Note 7)	**61,001**	51,093
Amortization of deferred issuance costs (Notes 9 and 10)	**534**	469
Gain on sale of securities, net (Note 6)	**(4,061)**	(10,318)
Unrealized loss (gain) on investments, net (Note 6)	**9,943**	(14,765)
Net gain on sale of investment in tennis tournaments (Note 11)	**(195)**	(607)
Increase in minority interest (Note 11)	**-**	(2,433)
Undistributed equity in (gain) loss of investees, net (Note 11)	**(424)**	2,183
Loss on disposal of property, building and equipment (Note 7)	**91**	4,768
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	**10,622**	(10,922)
(Increase) decrease in other assets	**(1,953)**	4,655
Decrease in accounts payable, accrued expenses and other liabilities	**(4,170)**	(7,367)
Decrease in deferred income	**(2,732)**	(4,040)
Net Cash Provided by Operating Activities	**54,716**	22,053
Cash Flows from Investing Activities		
Property, building and equipment, net	**(165,426)**	(139,305)
(Increase) decrease in restricted cash and securities on deposit	**(43,925)**	96,480
Proceeds from sale of tennis investment	**195**	607
Investment in Trident8 (Laver Cup) (Note 11)	**-**	(2,000)
Increased ownership of subsidiary (Note 11)	**-**	(5,758)
Purchase of investments	**(13,801)**	(29,305)
Proceeds from sales of investments	**53,185**	33,033
Net Cash Used in Investing Activities	**(169,772)**	(46,248)
Cash Flows from Financing Activities		
Issuance of 2018 private placement debt, net of issuance (Note 9)	**149,541**	-
Borrowings on senior secured revolving credit facility (Note 9)	**40,000**	-
Repayments on senior secured revolving credit facility (Note 9)	**(40,000)**	-
2017 term loan facility, net of issuance costs (Note 10)	**21,500**	2,744
Scheduled payment of debt payable	**(17,150)**	(14,966)
Distribution to noncontrolling interest (Note 11)	**(121)**	(379)
Borrowings on short-term bank loan (Note 8)	**24,000**	10,000
Repayments on short-term bank loan (Note 8)	**(24,000)**	(10,000)
Net Cash Provided by (Used in) Financing Activities	**153,770**	(12,601)
Net Increase (Decrease) in Cash and Cash Equivalents	**38,714**	(36,796)
Cash and Cash Equivalents, beginning of year	**65,565**	102,361
Cash and Cash Equivalents, end of year	$ **104,279**	$ 65,565
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Interest	$ **22,318**	$ 22,047
Taxes	**168**	147
Supplemental Disclosures of Noncash Financing and Investing Activities		
Property, building and equipment purchased through accounts payable/accrued expenses and other liabilities	$ **40,730**	$ 37,086

See accompanying notes to consolidated financial statements.

1. Organization

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of United States Tennis Association Incorporated (USTA), USTA National Tennis Center Incorporated (NTC), USTA Player Development Incorporated (PD), Cincinnati Tennis, LLC (Cincy) and US Open Series, LLC (USOS). Together, such companies are hereafter collectively referred to as the "Organization." All significant due to/due from accounts and transactions between such companies have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. Management of the Organization makes estimates and judgments in preparing the consolidated financial statements in accordance with such accounting principles. Those estimates and judgments affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The significant estimates used by management include the useful lives of depreciable fixed assets, allowances for doubtful accounts receivable, the valuation of alternative investments and certain accrued liabilities, including deferred income. Actual results may vary from the reported results.

Operations

USTA is a New York State not-for-profit membership organization whose purpose is to:

- promote the development and growth of tennis as a means of healthful recreation and physical fitness
- sponsor and operate the United States Open Tennis Championship (US Open), the pre-eminent international tennis competition in the United States, open to male and female professional and amateur tennis players
- establish and maintain rules of play and high standards of conduct and good sportsmanship
- foster national and international tennis tournaments and competitions
- encourage, sanction and conduct tennis tournaments and competitions open to athletes without regard to gender, race, creed, color, or national origin and under the best conditions possible so as to effectively promote the game of tennis with the general public
- generally encourage through tennis the development of health, character, and responsible citizenship

USTA is the recognized national governing body in the sport of tennis and is a member of the US Olympic Committee.

USTA is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code (the Code).

USTA is the sole member of NTC (501(c)(3) organization) and such organizations have identical Boards of Directors. NTC is a New York State not-for-profit corporation organized by USTA, whose purpose is to:

- operate the USTA Billie Jean King National Tennis Center (NTC Facility), which is a complex of four tennis stadia (Arthur Ashe, Louis Armstrong, Grandstand and Court 17) as well as indoor and outdoor courts. These facilities and the land on which they are situated are leased from the City of New York.
- provide a venue for the holding of the US Open
- foster national and international sports competitions
- establish, administer and promote programs devoted to the development of tennis as a means of healthful recreation and physical fitness
- conduct special events in accordance with the terms of the ground lease with the City of New York, such as arts, theatrical, community and live athletic events at the NTC Facility. The NTC Facility, therefore, not only houses the NTC's current year-round tennis programs but also is available for additional tennis activities conducted by other organizations, as well as public recreational events, ethnic and community festivals, scholastic athletic events and other public spectator events.

USTA is also the sole member of PD (501(c)(3) organization) and such organizations have identical Boards of Directors. PD is a New York State not-for-profit corporation organized by USTA whose purpose is to:

- educate and train young people in the sport of tennis through a clearly defined structure and competitive pathway, as well as through the implementation of a comprehensive coaching philosophy
- provide services to young tennis players, including assistance with evaluating college tennis; supporting and promoting junior tennis competition; evaluating and disseminating sports science and sports medicine information; and identifying and tracking young tennis talent through competitions and coaches and offering coaching and training support through invitations to player-development camps
- provide assistance to individuals through the making of grants to support the charitable programs that PD conducts

USOS was organized by USTA to operate and manage television and marketing initiatives for a series of professional tennis tournaments known as the US Open Series. Such company has contributed to increased viewership and visibility, helping grow the sport of tennis. USOS was organized in Delaware, pursuant to that state's Limited Liability Act. Taxable income and related taxes, if any, are the responsibility of its sole member, USTA.

Cincy was organized to operate the Western and Southern Financial Group Masters tournaments. In March 2009, Cincy acquired TCI Ventures LLC to obtain the ATP Tour, Inc. (ATP) World Tour Sanction (Sanction) for the Masters Tournament. Cincy leases the women's sanction from Octagon, Inc. For 2018 and 2017, USTA's ownership interest was 93.8%. The remaining interest is owned by former members of TCI Ventures, LLC and by Octagon, Inc., and is reported as a noncontrolling interest in the accompanying consolidated financial statements. Taxable income and related taxes of Cincy, if any, are the responsibility of each of its members.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets – with donor restrictions and without donor restrictions – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

With Donor Restrictions – This class consists of net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization, pursuant to those stipulations. When such stipulations end or are fulfilled, such donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities. Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or other removed by actions of the Organization are classified as net assets with donor restrictions- perpetual in nature.

Without Donor Restrictions – This class consists of the part of net assets that is not restricted by donor-imposed stipulations.

Cash and Cash Equivalents

The Organization considers investments with financial institutions and securities brokers, other than those that are restricted as to use, with maturities of less than 90 days when purchased, to be cash equivalents. At various times during the year, the Organization may have deposits at financial institutions that exceed federally insured limits. These financial institutions have strong credit ratings and management believes credit risks related to these deposits are minimal.

Restricted Cash and Securities on Deposit

As of December 31, 2018 and 2017, NTC had restricted cash and securities on deposit with two major financial institutions, one of which acts as the trustee for the Noteholders and Lending Banks, in the amount of $78,616 and $34,691, respectively. As of December 31, 2018 and 2017, the amounts on deposit with such institutions included (a) temporarily invested Private Placement Financing proceeds discussed in Note 9 of $49,926 and $9,017, respectively, dedicated to financing the Strategic Transformation Project discussed in Note 7 and, (b) a six-month debt service reserve of $28,690 and $25,674, respectively.

Allowance for Doubtful Accounts

The Organization fully provides an allowance for doubtful accounts for accounts receivable specifically identified by management for which collectability is uncertain. For 2018 and 2017, the allowance for doubtful accounts was $8 at the end of each year.

Fair Value Measurements

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, "Fair Value Measurement," establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are those that market participants operating within the same marketplace as the Organization would use in pricing the Organization's asset or liability based on independently derived and objectively determinable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Organization are traded. The Organization estimates the price of any assets for which there are only unobservable inputs by using assumptions that other market participants that have investments in the same or similar assets would use, as determined by the money managers administering each investment based on the best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

Level 1 – Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation is based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly. The fair value of such investments is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3 – Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Property, Building and Equipment

Property, building and equipment are reported at historical cost. The Organization depreciates property, building and equipment using the straight-line method (half-year convention in the year of acquisition or placement into service) over the estimated useful lives of the assets. USTA follows a policy of capitalizing all fixed-asset acquisitions in excess of $2,000 and with an estimated useful life of one year or more.

(dollars in thousands)

The estimated useful lives of the assets are as follows:

	Life (Years)
Building and improvements	10-30
Furniture and fixtures	5-10
Machinery and equipment	5-15
Computer hardware and software	3-5

Leasehold improvements are amortized over the term of the lease or the life of the improvement, whichever is less. Additions and betterments are capitalized, and repairs and maintenance are charged to operations in the period incurred.

Costs incurred during the preliminary project stage of computer software developed for internal use are expensed as incurred and computer software costs incurred during the application development stage are capitalized. Amortization commences once the software is ready for its intended use and is placed in service. The capitalized costs are amortized over their estimated useful life, generally three to five years.

Deferred Debt Finance Costs

Deferred debt finance costs are primarily amortized over the life of each series using the effective interest rate method and presented as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts.

Concentrations

The Organization generated slightly more than 80% of its operating revenues, excluding barter received, from the US Open in 2018 and 2017. These revenues arise from various sources, including broadcast rights, ticket sales, sponsorships and licensing.

Revenue Recognition

Revenues from events (US Open, Pro Tournaments, including those operated by Cincinnati Tennis LLC and others as part of the US Open Series), including revenue from broadcasting, ticketing and sponsorship, are recognized when the event occurs. Certain broadcast revenues are derived from multi-year contracts that include both variable and fixed components. Where appropriate, the fixed components of contracted revenues are recognized on a straight-line basis over the term of the agreement. Cash collected in advance of an event is recorded as deferred income. Fees received in advance for memberships and the use of tennis facilities are recognized as revenue in the periods in which the fees are earned. Life membership fees are recognized over a period of 30 years.

Ticket Revenues

Ticket revenues are principally sourced from the US Open and the Western and Southern Financial Group Masters Tournament, net of admissions taxes, and amounted to $154,212 and $135,966 for the years ended December 31, 2018 and 2017, respectively. They are derived from a wide range of individuals and corporations and recognized when the event is conducted.

Broadcasting Revenues

Broadcasting revenues are earned through more than ten exclusive television rights agreements with domestic and international broadcasters, for which the material contracts extend through December 2025. The aggregate gross revenues derived from such agreements for the years ended December 31, 2018 and 2017 were $128,454 and $118,877, respectively. Such agreements are subject to termination and renewal clauses. Pursuant to the Organization's policy of accounting for transactions with multiple elements described elsewhere herein, a portion of the aggregate gross revenues derived from television rights agreements specified above has been allocated to ticket revenue. Accordingly, for financial reporting and disclosure purposes, $1,504 in 2018 and $1,462 in 2017 of the aggregate broadcasting revenues specified above have, instead, been included in the amounts reported under the caption "Ticket Revenues" elsewhere in this Note 2.

Sponsorship Revenues

Sponsorship revenues are derived from over 32 sponsorship agreements with counterparties. Most of these sponsorships are multi-year contracts extending through December 31, 2018. The contracts involve various forms of sponsorship for the US Open, Western and Southern Financial Group Masters tournaments, US Open Series, Davis/Fed Cups and USTA National Campus. The gross aggregate revenues from such agreements for the years ended December 31, 2018 and 2017 were $103,412 and $98,498, respectively. Such agreements are subject to termination and renewal clauses. Pursuant to the Organization's policy of accounting for transactions with multiple elements described elsewhere herein, a portion of the aggregate gross revenues derived from sponsorship agreements specified above has been allocated to ticket revenue. Accordingly, for financial reporting and disclosure purposes, $14,211 in 2018 and $14,119 in 2017 of the aggregate sponsorship revenues specified above have, instead, been included in the amounts reported under the caption "Ticket Revenues" elsewhere in this Note 2. Revenues are recognized when the event is conducted.

Transactions with Multiple Elements

The Organization enters into certain revenue transactions, such as the sale of broadcasting rights, sponsorships and tickets that involve the delivery of multiple elements to the buyer. In accounting for these transactions, the Organization must evaluate whether there is objective evidence of fair value for each individual element delivered and, if so, to account for each element of the transaction separately, based on relevant revenue recognition accounting policies. An allocation of revenue is made to all elements for which fair value is determinable. The balance of consideration received for which the fair value is not determinable is allocated to the remaining elements.

The Organization enters into barter transactions that involve the exchange of broadcast and sponsorship rights for cash and various other products and services (such as advertising). The Organization was able to approximate the fair value of certain measurable noncash elements and has included barter received and barter used totaling $11,094 and $11,063 for the years ended December 31, 2018 and 2017, respectively, in various operating revenue and operating expense lines in the consolidated statement of activities. The values are based on the estimated fair market value or the estimated amounts that it would cost the Organization to independently procure such products and services. Revenue is recognized when the event is conducted and/or when services are provided.

Gross Versus Net Revenue Recognition

In the normal course of business, the Organization acts as an intermediary or agent in executing certain transactions with third parties. Such transactions are recorded on a "gross" or "net" basis depending on whether the Organization is acting as the "principal" in a transaction or acting as an "agent" in the transaction. The Organization serves as the principal in transactions in which it has substantial risks and rewards of ownership and, accordingly, records revenue on a gross basis. For those transactions in which the Organization does not have substantial risks and rewards of ownership, the Organization is considered an agent in the transaction and, accordingly, records revenue on a net basis. To the extent that revenues are reported on a gross basis, any commissions or other payments to third parties are reported separately as expenses so that the net amount (gross revenues less expenses) is reflected in changes in net assets.

Accordingly, the impact on changes in net assets is the same whether the Organization records revenue on a gross or net basis.

Methods used for Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include depreciation and amortization, facility expenses, telephone expenses, health and benefit and general third-party processing expenses, and the information technology department. Depreciation and amortization, facility expenses, and telephone expenses are allocated based on square footage, health and benefits and general third-party service providers are allocated based on headcount, and the information technology department is allocated based on estimates of time and costs to support specific areas.

Income Taxes

USTA, NTC, USOS and PD are not-for-profit organizations that are exempt from income taxes under the Code, except for immaterial amounts of income considered by the Internal Revenue Service (IRS) to be unrelated business taxable income, for which income taxes have been provided. The Organization has filed all applicable returns when required. USTA's share of income taxes for Cincinnati Tennis LLC has been provided, pursuant to the operating agreement with the other members of these organizations. For the years ended December 31, 2018 and 2017, there were no interest or penalties required to be recorded or disclosed in the consolidated financial statements. In addition, the Organization has not taken an unsubstantiated tax position that would require provision of a liability. The Organization believes it is no longer subject to income tax examinations for the years prior to 2015.

Advertising Costs

The Organization expenses advertising costs as they are incurred. The Organization recognized advertising expense of $9,303 and $8,628 for the years ended December 31, 2018 and 2017, respectively, in the accompanying consolidated statement of activities. These are advertising expenses for the US Open, US Open Series, Western and Southern Financial Group Masters tournaments and Community Tennis programs.

In addition to the above, the Organization received barter advertising with an estimated fair market value to USTA of $6,606 and $6,423 for the years ended December 31, 2018 and 2017, respectively. Such amounts are included in various operating revenue and operating expense lines in the consolidated statements of activities.

Contributed Services

The Board of Directors and many other volunteers have contributed services involving significant amounts of time to the Organization. These consolidated financial statements are not reflected in contributed services; such services do not meet the requirements for recognition.

Net Assets Designated for Specific Purposes by Board of Directors

The Board of Directors designates a portion of general net assets without donor restrictions for specific purposes. Funds designated by the Board of Directors for ongoing operations of $120,000 are to fund a portion of the Organization's following year's operating expenses, fund the following year's debt service, allow for market fluctuations in the long-term investment portfolio, and provide grants to independent regional associations for one year in the event that the US Open fails to provide adequate funds to meet those needs in any given year.

Indefinite Lived Intangible Assets

The indefinite lived intangible assets of the Organization are tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the indefinite lived intangible asset with its carrying amount. If the carrying amount of the indefinite lived intangible asset exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess. There were no impairment losses recognized in 2018 and 2017.

Noncontrolling Interest

The Organization reports noncontrolling interests, sometimes referred to as minority interests, as part of total net assets in the consolidated statement of financial position. Furthermore, the Organization reports the changes in net assets of both the controlling and noncontrolling interests, for all periods presented, in the consolidated statements of changes in net assets.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Recently Adopted Accounting Pronouncement

Financial Statements of Not for Profits

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 to improve the presentation of financial statements of not-for-profit entities. ASU 2016-14 impacts all not-for-profit entities in the scope of Topic 958, as well as health care entities subject to the nonprofit guidance in Topic 954. This is the first major change to the nonprofit financial statement model in over 20 years, which is intended to provide more useful information to donors, grantors, and other users. The ASU has been applied retrospectively to all periods presented.

Recently Issued Accounting Pronouncements

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2018, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The Organization is currently evaluating the impact of the pending adoption of ASU on its financial statements.

Accounting for Leases

On February 25, 2016, the FASB issued ASU 2016-02, "Leases," which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2019 and the Organization is currently evaluating the impact of the pending adoption.

(dollars in thousands)

3. Liquidity and Availability of Resources

The Organization’s financial assets available within one year of the statement of financial position date for general expenditure are as follows:

December 31, 2018		
Cash and cash equivalents	$	104,279
Investments		110,770
Accounts receivable, net		8,461
Resources Available for General Expenditures	$	223,510

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. Investments, further discussed in Note 5, include foreign and domestic common stock, publicly traded mutual funds, common collective trusts and alternative investments, all of which can be liquated within 12 months. To help manage unanticipated liquidity needs, the Organization has committed lines of credit in the amount of $50,000, which it could draw upon.

4. Analysis of Expenses by Function and Nature

Below is an analysis of expenses by function and nature:

December 31,		Program Services		Administration & Other Costs		**Total 2018**		2017 Summarized
Event Prize Money / Other	$	64,315	$	-	**$**	**64,315**	$	60,975
Grants		55,879		-		**55,879**		54,295
Depreciation, amortization and related write-off of property, building and equipment		58,400		3,226		**61,626**		56,330
Payment of Bond Interest		19,731		-		**19,731**		19,096
Compensation		51,239		12,223		**63,462**		58,542
Compensation Seasonal		5,076		-		**5,076**		4,168
Pension Plan		1,276		254		**1,530**		1,349
Payroll Taxes		4,270		662		**4,932**		4,485
Other Employee Benefits		6,611		1,431		**8,042**		7,183
Professional Services		29,299		2,439		**31,738**		31,317
Occupancy & Office Expense		15,939		1,064		**17,003**		15,432
Tennis Event Production		9,438		-		**9,438**		8,491
Advertising / Printing & Publications		12,974		62		**13,036**		12,405
Insurance		3,285		2,293		**5,578**		6,727
Barter		11,091		-		**11,091**		10,618
All Other Expenses		86,075		2,464		**88,539**		79,971
Total Functional Expenses	$	434,898	$	26,118	**$**	**461,016**	$	431,384

5. Financial Instruments and Fair Value

The Organization's holdings in publicly traded stocks and publicly traded mutual funds consist principally of debt and equity securities carried at their aggregate market value as, determined by quoted market prices. The valuation of such investments is based on Level 1 inputs within the hierarchy used in measuring fair value.

Interests in common/collective trusts and private mutual funds are carried at the stated unit values provided by the investment managers of the funds. Each of these investment managers provides observable detailed information about the underlying securities, all of which are publicly traded securities (equities, treasuries and bonds) and can be liquidated daily or monthly, depending on the investment. Given the fact that these common/collective trusts and private mutual funds do not have quoted market prices and/or are not actively traded, they are valued at NAV and are not classified within the fair value hierarchy.

Alternative investments are those made in limited partnerships, offshore limited liability companies and private equity concerns, and are reported at fair value as estimated by the general partners. These investments, which are valued at NAV, have not been classified in the fair value hierarchy. Given the absence of market quotations, their fair value is estimated using information provided to the Organization by the investment managers or general partners. The values are based on estimates that require varying degrees of judgment and, for fund of funds investments, are primarily based on financial data supplied by the investment managers of the underlying funds. Individual investment holdings within the alternative investments may include investments in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly traded securities, and other investment vehicles. The investments may indirectly expose the Organization to the effects of securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments entail varying degrees of risk, the Organization's exposure with respect to each such investment is limited to its carrying amount (fair value, as described above) in each investment plus the Organization's commitment to provide additional funding as described in the following paragraph. The financial statements of the investees are audited annually by nationally recognized firms of independent auditors. USTA does not directly invest in the underlying securities of the investment funds and, due to restrictions on transferability and timing of withdrawals from the limited partnerships, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

Certain alternative investments, which include private equity investments, have rolling lockups ranging from one to three years. In addition, the carrying values of private equity investments do not include future funding commitments of $18,300 to be paid by USTA as future investment opportunities become available. Each of these private equity investments is reported within "long-term investments" in the noncurrent assets section of the consolidated statement of activities.

Notes to Consolidated Financial Statements (dollars in thousands)

The following table identifies assets measured at fair value and NAV on a recurring basis:

December 31,		**2018**		2017
Level 1:				
Cash and cash equivalents	**$**	**104,279**	$	65,565
Foreign and Domestic Common Stock		**10,461**		18,014
Publicly traded mutual funds:				
Natural resources		**2,398**		8,592
International equities		**6,052**		13,610
Fixed-income instruments		**12,961**		16,323
Restricted cash and securities on deposit:				
Cash		**16,868**		8,873
Corporate and government fixed-income securities		**61,748**		25,818
		214,767		156,795
Investments valued at NAV[1]:				
Common/collective trusts and private mutual funds		**42,519**		55,480
Alternative investments and private equity		**56,659**		64,298
Total	**$**	**313,945**	$	276,573

[1] Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts prescribed in this table are intended and permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of activities.

Investments for which fair value is estimated using reported NAV, or the equivalent, are summarized as follows, as of December 31, 2018:

		Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common/collective trusts and private mutual funds:						
Fixed income	$	13,179	$	-	Daily	10 days
Global ex-U.S. equity		20,405		-	Monthly	15 days
Emerging markets		8,935		-	Monthly	30 days
Total	$	42,519	$	-		
Alternative investments:						
Absolute return	$	14,718	$	-	Semiannually	60-65 days
Hedge fund		21,661		-	Annually	30-90 days
Private equity		20,280		18,300	*(a)*	*(a)*
Total	$	56,659	$	18,300		

(a) Redemption not permitted; distributions require liquidation of underlying assets.

Notes to Consolidated Financial Statements (dollars in thousands)

6. Investment Return Presentation

The following schedule summarizes the investment portfolio return:

Years ended December 31,		**2018**		2017
Dividend and interest income (net of interest expense, excluding debt interest, and investment fees)	$	**2,381**	$	1,833
Realized gain, net		**4,061**		10,318
Change in unrealized gain (loss), net		**(9,943)**		14,765
		(3,501)		26,916
Investment return allocated to operations		**(8,000)**		(8,000)
Investment Return, net of amounts allocated to operations	$	**(11,501)**	$	18,916

USTA has reported a portion of the return on the investment portfolio as a source of funding for operating expenditures and is noted in the table above as "investment return allocated to operations." This amount is not to exceed 5% of the average market value of the last twelve quarters of the total investment portfolio or the market value of the previous year (inclusive of any uninvested cash), whichever is less (amounts not based on the actual return of the investment portfolio). This amount is presented in the consolidated statement of activities as "investment return allocated to operations," a separate line item within operating revenue. It amounted to $8,000 for both years ended December 31, 2018 and 2017. A corresponding deduction is included within "nonoperating other income (loss) and deductions" in order to reflect the amounts reported in operations. Actual cash deposits or withdrawals from the investment portfolio can vary each year, depending on business needs.

7. Property, Building and Equipment, Net

Property, building and equipment, net, consist of the following:

December 31,		**2018**		2017
Land, building and improvements	$	**11,342**	$	11,374
Leasehold improvements		**1,164,497**		924,942
Machinery and equipment		**124,260**		109,757
Computer hardware and software		**34,758**		31,077
Furniture and fixtures		**60,524**		48,796
Construction-in-progress		**14,761**		115,965
		1,410,142		1,241,911
Less: accumulated depreciation and amortization		**(546,453)**		(486,202)
Net Property, Building and Equipment	$	**863,689**	$	755,709

Depreciation and amortization expense was $61,001 and $51,093 for the years ended December 31, 2018 and 2017, respectively, which has been attributed to US Open, Tour Events, NTC Facility Programs, Community Tennis and Administration on the consolidated statements of activities based on the nature and function of the underlying depreciable assets.

As of December 31, 2018 and 2017, $16,195 and $14,789, respectively, of computer software costs have been capitalized. Accumulated amortization for such software costs is $14,130 and $12,784 as of December 31, 2018 and 2017, respectively.

Construction-in-progress included various site-wide improvements at the NTC Facility. The Organization has substantially completed the construction of certain projects (retractable roof over Arthur Ashe Stadium, a new Louis Armstrong, a new Grandstand stadium and ticket office) and continues to formulate plans for a transformation of the NTC Facility, which includes new broadcast facilities and other facility enhancements. The remaining cost for this transformation is estimated to be approximately $26,000, which, together with the property, building and equipment of $40,730 purchased through accounts payable/accrued expenses as disclosed on the cash flow, is being funded with the private placement financings described in Note 9, as well as by cash and cash equivalents, investments and revenue generation.

Capitalized Interest

For the years ended December 31, 2018 and 2017, the Organization capitalized interest of $3,177 and $1,922, respectively, on qualifying assets.

8. Line of Credit and Irrevocable Letter of Credit

USTA has an unsecured line of credit with a financial institution in the amount of $50,000 that was renewed for a one-year term through August 31, 2019. The Organization has two different borrowing options when utilizing this line, including London Interbank Offered Rate (LIBOR) for borrowings exceeding 30 days, or the prime rate. In 2018, the USTA borrowed from the line of credit at the prime rate of between 4.5% and 4.75%, given the short duration of the outstanding principal. Accrued interest on the line of credit is payable monthly. No principal nor interest amounts were outstanding on December 31, 2018 or 2017. There was no interest expense related to this line of credit for both years ended December 31, 2018 and 2017.

As part of the site-wide improvements at the NTC Facility, NTC established irrevocable letters of credit with one beneficiary, an insurance underwriter, for $12,435, as part of NTC's Owner Construction Insurance Policy Program. There were no drawings against these letters of credit in 2018 and 2017.

9. Private Placement Financing

In 2014, 2016, and 2018 NTC entered into a series of transactions collectively referred to as the Private Placement Financings (Private Placement). The Private Placement consisted of $750,000 Senior Secured Fixed Rate Notes (Notes). The proceeds of such financings were used to legally defease all series of bonds outstanding in 2014, fund the Debt Service Reserve Account and provide financing for capital improvements at the NTC Facility as discussed in Note 7.

Notes to Consolidated Financial Statements (dollars in thousands)

The following table provides an overview of the Notes Facility and Term Loan Facility discussed in Note 10:

	Notes, Series A	Notes, Series B	Notes, Series C	Note Series D	Term Loan Facility (Note 10)	Total
Date of funding	September 8, 2014	September 8, 2014	May 26, 2016	June/July 2018[a]	June 30, 2017	
Principal amount at inception	$ 75,000	$ 325,000	$ 200,000	$ 150,000	$ 25,000	$ 775,000
Term	10 Years	25 Years	20 Years	15 Years	5 Years	5-25 years
Interest rate	3.11%	4.08%	3.29% [b]	4.04% [c]	Variable[d]	Range of 0% to 4.08%
Balance, December 31, 2018	$ 51,338	$ 296,718	$ 200,000	$ 150,000	$ 22,867	$ 720,923[e]

[a] The $150,000 financing was funded in two installments: $80,000 on June 6, 2018 and $70,000 on July 26, 2018.

[b] Interest only for the first five years.

[c] Interest only for 15 years, with a balloon payment due at the end of 15 years.

[d] Variable interest rate based on trailing five-year average yield on 30-year US Treasury Bonds plus 2.5%.

[e] Amount shown on consolidated statement of financial position "debt payable, less current portion and deferred debt finance costs, net" of $697,821 is net of current portion of debt payable of $17,719 and unamortized deferred finance costs of $5,383. At December 31, 2017, the corresponding amounts were $545,597, which was net of $15,516 payable in 2018 and unamortized deferred finance costs of $5,458.

The Notes were issued to institutional accredited investors within the meaning of Regulation D under the Securities Act of 1933, as amended. The Notes include $75,000 of Senior Secured Notes, Series A (Series A); $325,000 of Senior Secured Notes, Series B (Series B); $200,000 of Senior Secured Notes, Series C (Series C) and $150,000 of Senior Secured Notes, Series D (Series D). The Notes were issued at a fixed rate and are redeemable at any time in whole or pro rata in part, in an amount not less than $10,000 of the aggregate principle amount of the Notes then outstanding in the case of partial payment. Prepayments are subject to par, accrued interest, plus a Make-Whole Amount, if any, based on the provisions of the financing documents. Each series of the Notes are Pari Passu without preference or priority with one another and with any borrowings outstanding under the Credit Facility.

In addition, as part of the 2014 and 2016 Private Placement Financing, a $150,000 Senior Secured Revolving Credit Facility (Credit Facility) was issued. The Credit Facility was equally distributed between two large nationally recognized banks with an initial term of five years. The Credit Facility's variable interest rate is based on the Alternative Base Rate (ABR) loan or Eurodollar revolving loan rate plus 1.375% based on the A- rating by a major rating agency. Draws under the Credit Facility were on parity with the Notes as to pledged monies as well as deposits in the Debt Service Reserve Account. In 2017, no amounts were drawn on the Credit Facility. In 2018, $40,000 was drawn and repaid on the Credit Facility and, effective July 21, 2018, the Credit Facility was terminated.

The Notes have substantially the same provisions, including: (i) the method of funding the repayment of the principal and interest and other provisions relating to security interests, guarantees, earnings coverage of debt service, funding of certain operating expenses, and the incurrence of additional indebtedness on the part of both NTC and USTA; (ii) the requirement by NTC to deposit receipts from US Open ticket sales and other NTC revenues up to annual amounts to be determined in accordance with the Deposit and Disbursement Agreement and other financing documents with the trustee for payment of principal and interest; and (iii) USTA's pledge of its right to future US Open net broadcasting revenues as security in the form of deposits with the trustee in amounts based on formulae in the financing documents. Excess deposits are refunded to USTA once

(dollars in thousands)

NTC meets its annual debt service, debt service reserve requirement, rent obligations to the City of New York, and operating expense funding obligations with the trustee.

The Notes have a debt service reserve requirement requiring NTC to deposit certain amounts into a Debt Service Reserve Account, the magnitude of which depends on the senior secured debt service coverage ratio. The adequacy of such amounts is tested on the last day of the fiscal year based on an amount equal to the maximum amount of debt service required to be paid on the Notes and any other outstanding parity indebtedness during any future six-month period. For each of the years 2018 and 2017, such requirement totaled $28,525 and $25,496, respectively. At December 31, 2018 and 2017, cash and securities on deposit totaled $28,690 and $25,674, respectively, which exceeded such requirement.

As indicated above, the funding of the Debt Service Reserve Account depends on the senior secured debt service coverage ratio. While the minimum coverage ratio required is 1.50 to 1.00, failure to achieve a coverage ratio of at least 2.00 to 1.00 would result in a mandatory increase of the funds on deposit in the Debt Service Reserve Account such that they would equal payments of debt service required for any future 12-month period instead of the six-month period currently required. The coverage ratios exceeded 2.00 to 1.00 at December 31, 2018 and 2017.

Costs of issuing the Private Placement have been deferred and are being amortized over the life of each series of Notes. Costs of issuance totaled $4,328 for the 2014 Private Placement, $2,146 for the 2016 Private Placement and $459 for the 2018 Private Placement. In 2018 and 2017, $483 and $444, respectively, was amortized, along with $803 being amortized prior thereto, resulting in unamortized deferred issuance costs of $5,203 and $5,227 at December 31, 2018 and 2017, respectively.

The following table sets forth the scheduled annual principal payments to be made on the Notes and the Term Loan Facility (Note 10) during each of the next five years and all years thereafter:

Year ending December 31,

		Principal Payments
2019	$	17,719
2020		18,311
2021		18,924
2022		46,401
2023		29,443
2024 and thereafter		590,125
	$	720,923

10. Term Loan Facility

In 2017, Cincy entered into a $25,000 term loan facility (Loan Facility). The proceeds are to be used to provide financing for capital improvements at the facility where the Western and Southern Financial Group Masters Tennis Tournament is held. The Loan Facility is convertible with a maximum credit facility of $25,000 with variable interest based on one month LIBOR plus 1.625%. The rate at December 31, 2018 was 4.15%. The Loan Facility converts to a fixed term loan on December 31, 2018 with principal payments due annually equal to one-fifteenth of the outstanding balance at December 31, 2018. The note matures on June 30, 2022 with a balloon payment due for the then-outstanding amount. At December 31, 2018, the balance outstanding is $22,867, as shown in the overview chart in Note 9.

USTA has made a springing guarantee for the Loan Facility, which can only be activated if the event is moved or the ATP revokes the Sanction. The Loan Facility contains certain covenants, which, among other things, requires Cincy to maintain certain debt coverage, as defined by the agreement. Cincy is in compliance with these covenants at December 31, 2018.

Debt issuance costs of $256 are recorded at cost and are being amortized over the term of the related debt. Amortization expenses of $51 and $25 for the years ended December 31, 2018 and 2017, respectively, are classified as interest expense on the consolidated statement of activities. At December 31, 2018 the unamortized debt issuance costs was $180.

11. Tournaments

Cincinnati Tennis LLC

As mentioned in Note 1, in 2018 and 2017, USTA has a controlling interest of 93.8% in Cincinnati Tennis LLC, which holds the ATP Sanction for the Western and Southern Financial Group Masters Tournaments. The total purchase price to acquire the initial 80% ownership, inclusive of payments to the ATP and transfer of an equity interest in Cincinnati Tennis LLC to the former members of TCI Ventures, LLC, including Octagon, Inc., totaled $12,636. In 2017 USTA increased its ownership by 13.8% to 93.8% in consideration of a cash payment of $5,758, inclusive of transfer fees. Such payment included a transfer of members' equity of $2,433 and additional paid-in capital for the increase in valuation of $3,327.

The Sanction is subject to termination if Cincinnati Tennis LLC fails to follow the ATP's rules and regulations. Based on previous experience, including Cincinnati Tennis LLC's continued compliance with the ATP's rules and regulations, it is expected that the Sanction will be effective indefinitely. Given the Sanction's indefinite life, its value of $12,658 is not being amortized and is evaluated annually for impairment. No impairment was deemed to have occurred in 2018 or in years prior.

Operating revenues of $31,280 in 2018 and $29,120 in 2017 and operating expenses of $25,635 in 2018 and $23,243 in 2017 of Cincinnati Tennis LLC are included in the "tour events" in each of the sections headed operating revenues and operating expenses, respectively, in the consolidated statements of activities for the years ended December 31, 2018 and 2017, respectively.

In 2018 and 2017, Cincinnati Tennis LLC made distributions to its owners totaling $1,952 and $1,895, respectively, of which $121 and $379, respectively, represents distributions to the noncontrolling interests. Accordingly, in 2018 and 2017, $121 and $379, respectively, are included as part of such distributions reported in the Consolidated Statements of Changes in Net Assets.

TRIDENT8 (Laver Cup)

In 2016, USTA made a $6,000 capital commitment to acquire a noncontrolling 20% interest in TRIDENT8, a UK private company that is treated as a partnership for US tax purposes. TRIDENT8's purpose is to further interest in tennis by establishing and operating a team tennis competition between regional teams of top professional players from around the world. This competition is referred to as the Laver Cup, in honor of Rod Laver. In 2017 and 2016, USTA made cash payments of $2,000 and $4,000, respectively, fulfilling USTA's $6,000 capital commitment for a noncontrolling 20% interest in TRIDENT8. The investment is accounted for using the equity method of accounting and is reported in "other assets" in the accompanying consolidated statement of financial position. For 2018, gains of $424 were recorded from TRIDENT8. For 2017, losses of $2,183 were recorded from TRIDENT8.

Other Tennis Investments

In 2018 and 2017, USTA's investment in the Tennis Channel was sold, resulting in a gain of $195 and $607, respectively, which is reported under "net gain on sale of investment in tennis investments" in the consolidated statements of activities.

12. USTA Foundation

For the years ended December 31, 2018 and 2017, the Organization contributed certain services, facilities and a cash grant to USTA Foundation at a cost of $2,904 and $2,637, respectively, which included expenses for National Junior Tennis and Learning (NJTL) efforts. Such costs are included in operating expenses within the accompanying consolidated statement of activities.

13. Retirement Plan

The United States Tennis Association Retirement Plan covers substantially all USTA, NTC and PD employees. The plan, which is a defined contribution plan, includes both an employer match and a discretionary employer contribution. Discretionary contributions are calculated on the basis of a fixed percentage of eligible salaries.

Matching contributions are made to the plan on a current basis and amounted to $888 and $1,003 for the years ended December 31, 2018 and 2017, respectively. The Organization also made discretionary contributions to the plan of $968 and $1,201 for the years ended December 31, 2018 and 2017, respectively.

14. Commitments and Contingencies

New York City Lease

The initial term of NTC's long-term lease with New York City is for twenty-five years from the start of construction of the facility expansion (1994). Thereafter, the lease grants NTC six ten-year renewal options and a final renewal option of up to fourteen years. NTC has committed to renew the lease as long as any of the Notes or any borrowings under the Credit Facility are outstanding.

During the initial lease term, the lease provides for annual base rent of approximately $400 plus 1% of gross revenues from NTC Facility operations and USTA revenues derived from tennis events conducted at the NTC Facility, including broadcast and sponsorship revenues, in excess of $25,000 for each of the first twenty years and 1% of gross revenues in excess of $20,000 for each year thereafter. In addition, each renewal term includes a 10% increase on the base rent. Rent expense charged to operations for the year ended December 31, 2018 amounted to $3,909 and for the year ended December 31, 2017 amounted to $3,621. The Organization accounts for the lease as an operating lease.

USTA National Campus – Home of American Tennis

USTA has built a new state-of-the-art tennis facility near Orlando, Florida. As part of this initiative, USTA entered into a lease for over 64 acres of land. The initial term of the lease is thirty (30) years from December 2016, with annual rental payments of one dollar. The lease includes two renewal terms of twenty years each, cumulatively 40 years, based on the then-prevailing market rent per acre of land. The Organization has accounted for this commitment as an operating lease. For the years ended December 31, 2018 and 2017, rent expense for this facility was de minimis.

Usage/Lease Agreement for the West Coast Training Center

USTA is party to a training center lease that is classified as an operating lease. The lease was renewed in 2016 through December 31, 2022. Rent expense was $119 for 2018 and 2017.

Cincinnati Tournament Stadium and Grounds Lease

In 2009, Cincinnati Tennis LLC entered into a 21-year lease, expiring in 2029, for the stadium and grounds where the Western and Southern Financial Group Masters tennis tournament is held. The lease is classified as an operating lease. The lease contains purchase options and early termination provisions beginning in 2019 and 2024 subject to repayment of certain debt outstanding on the facilities. Rent expense charged to operations was $1,197 in 2018 and $1,117 in 2017, as compared to payments of $1,447 and $1,367 in 2018 and 2017, respectively. The differences are accounted for in "deferred rent credit" in the consolidated balance sheets.

As part of the lease, Cincinnati Tennis LLC and USTA have guaranteed the landlord's debt outstanding on the facilities, Tennis for Charity, Inc., a 501(c)(3) organization, for which the maximum payable at December 31, 2018 is $7,095.

Under the lease agreement, the landlord provided funds totaling $5,000 for capital improvements at the facility. The entire allowance has been used and recorded under "property, building and equipment." Such allowance is being amortized over the lease term as a reduction of rent expense.

(dollars in thousands)

The unamortized balance of such allowance is included in "deferred rent credit" in the accompanying consolidated balance sheets.

Summary of Operating Lease Commitments

Minimum operating lease commitments at December 31, 2018 for the various leases described in this note are as follows:

Year ending December 31,		Amount
2019	$	1,829
2020		1,905
2021		1,867
2022		1,870
2023		9,489
2024 and thereafter		12,793
Total	$	29,753

Public Facility Funding Grants

USTA issued grant letters in 2018 and 2017 to several public facilities as part of its Public Facility Funding program whereby all or a portion of the funding is contingent upon various factors. Future funding by USTA is contingent upon the grant recipient completing project milestones, as set forth in the recipient's grant proposal. Had the milestones been satisfied at December 31, 2018, USTA would have recorded a commitment of $447.

In 2013, NTC made two separate pledges to the City of New York, which together result in $10,050 payable over a period of 23 years to help with improvements and, separately, with maintenance of the public park land adjacent to the NTC Facility. In 2016, certain improvements were made, fulfilling the conditions of the $5,000 improvement pledge resulting in $4,441, the present value, being recognized as an operating expense in US Open "depreciation, demolition and related asset write-off, pledge and debt interest expense" in the consolidated statements of revenues and expenses. The first installment of $833 was paid in 2015 and there are annual installments of $833 payable in each of the following five years. The maintenance pledge of $5,050 is payable over the next 23 years with annual installments of $350 for the first three years and $200 each year thereafter. The maintenance pledge is contingent upon satisfaction of the specified conditions, including annual operating commitments by the City of New York.

Litigation

The Organization is involved in various routine litigation matters in the course of its normal operations. Although it is not possible to predict the outcome of such litigation with certainty, based on the facts known to the Organization's management, and after consultation with counsel, management believes that such litigation will not have a material adverse effect on the Organization's consolidated financial position.

Environmental Liabilities

As part of the Organization's facility expansion and improvement projects, certain environmental liabilities may be incurred. The Organization believes that it is adequately insured against this potential exposure.

Subsequent Events

The Organization has evaluated subsequent events through April 2, 2019, the date these consolidated financial statements were available to be issued. No modifications of the consolidated financial statements were necessary as a result of the subsequent events evaluation.